



People Telecom Limited

(ACN 009 273 152 ASZ / NZX: PEO)

Chairman's Address to People Telecom Annual General Meeting

Sydney, 22 November 2006

Good morning ladies and gentlemen.

The financial year ending June 2006 was a period of continued growth for People Telecom. During the year the company recorded an 11% rise in total revenues to \$110.8 million. Mobile revenues exhibited the fastest growth, rising by 16% to \$20.2 million, while fixed voice also performed strongly, with a 15% growth rate bringing revenues to \$65.8 million.

Our business grade data revenues grew by 10% on the back of strong demand for business grade IP Virtual Private Networks, and growth in sales of co-location services. Maintaining our current momentum in the business data segment is important for the company, as we are able to generate strong margins for these types of services.

2006 also saw a meaningful improvement in our cash position, with net operating cash flow increasing to \$2.5 million, and cash assets at balance date improving to \$4.9 million.

While the trends I have just outlined are encouraging, investors such as yourselves will also focus on the bottom-line result and on the value of People Telecom stock. The results on these fronts are indicative of the fiercely competitive marketplace in which People Telecom operates and of the generally depressed share valuations across the Telecoms sector as a whole.

Overall, People Telecom recorded a loss from ordinary activities after income tax of \$21.6 million for the financial year, due principally to a write-down of \$21.2 million in the value of goodwill which was generated when, the People Telecommunications Pty Limited group of companies and the Swiftel group of companies merged in 2004.

The asset impairment write-down was made to ensure our compliance with new accounting rules. People Telecom was one of many companies that made similar adjustments to the valuations of assets during this reporting period. The good news from this, I believe, is that in the case of People Telecom, the magnitude of the adjustment that the Board chose to make means that we should not need to make further such adjustments.

Excluding the loss attributable to the asset impairment, the EBITDA for the year was \$0.523 million, and the operating loss was \$0.4 million.

The Directors announced during this reporting period that the CEO, Mr Ryan O'Hare, had decided to retire. Mr O'Hare did retire soon after the end of the reporting period, in August 2006 and I would like to take the opportunity today on behalf of the Directors and Shareholders to thank Mr O'Hare for his central role in the founding and growth of People Telecom. His achievement in leading the company from start-up, through successive years of rapid growth, to seeing the company become one of the top 10 carriers in Australia, deserves recognition.

Ryan, thank you once again for the vision and drive that you have given the company

In August 2006 our new CEO, John Stanton, joined the company. Mr Stanton, who moved back to Australia from the UK to take up the position, has held diverse senior management roles in the telecommunications industry in the USA, United Kingdom and Australia over the past 17 years.

People Telecom has now embarked on wide-ranging changes to many of the operational aspects of the business, designed to improve the bottom-line performance and to position the company for the next phase of its development.

The evidence of some of the work already undertaken is starting to show through in, for example, improved performance in our service provisioning, which is seeing new customer orders – and the resulting revenues - being brought on-line more quickly.

We are working to continually improve our wholesale cost-base, and in fact are very close to completing new arrangements for provision of our mobile phone network services, which will provide the opportunity for enhanced margins and stronger growth in our mobile customer base.

There is more work to be done on a range of fronts to ensure that we have an efficient and profitable operating base from which to move forward.

The Board is also engaged with Management on the strategic development of new business models which have the potential to further streamline our mode of operation while opening up new and profitable areas of activity.

I would like to take this opportunity to thank all of our staff here at people telecom, in particular our management team, who are working tirelessly to improve the performance and value of the group.

I thank you for your presence here today and for your continued support of People Telecom. I look forward to reporting back to you on the positive outcomes of the work underway

About People Telecom:

As one of Australia's largest telecommunications groups, People Telecom offers a comprehensive range of telecommunications products and services for businesses.

The group is a leader in service within the telecommunications landscape, offering high customer service levels accompanied by a full suite of standard and cutting edge telecommunications products such as Voice-Over Internet Protocol (VoIP).

For further information, please visit <http://www.peopletelecom.com.au> or contact:

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